

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Virginia (Mr. GOODLATTE) is recognized for 5 minutes.

(Mr. GOODLATTE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Washington (Mr. REICHERT) is recognized for 5 minutes.

(Mr. REICHERT addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

#### IMPROVING ACCESS TO CREDIT FOR SMALL BUSINESSES

(Mr. KLEIN of Florida asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KLEIN of Florida. Mr. Speaker, this week, we took important action to address a critical issue in south Florida and around the country, to improve access to credit for small business owners.

Small businesses generated more than 70 percent of the new jobs every year for the past decade, and even beyond that. And they will fuel our economic recovery, both where I live in south Florida, and nationwide.

I recently visited Uniweld Products, a family-owned business in Fort Lauderdale. This small business has been operating for 60 years, yet because of the frozen credit markets has been unable to secure vital loans and has been forced to lay off a quarter of its workforce in recent months. The plan announced by the administration this week will help businesses like Uniweld access the credit they need to keep their doors open and to thrive.

I strongly support this aggressive and immediate action and look forward to continuing to work with entrepreneurs and community leaders in south Florida to support our small businesses as they lead our way toward economic recovery.

#### AIG, SMALL BUSINESSES, AND THE BUDGET

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 2009, the gentleman from Florida (Mr. KLEIN) is recognized for 60 minutes as the designee of the majority leader.

Mr. KLEIN of Florida. Mr. Speaker, it is, once again, an honor and a privilege, as a Member of Congress, to talk to the Members of this House and the American people about the kinds of things that are on their minds right now. And we are doing so with a group of us who were elected in 2006 and have the opportunity, from all parts of the United States, to represent our great country and work toward the solutions that are necessary to get our country back on track.

I am joined by Mr. YARMUTH from Kentucky, Mr. COHEN from Tennessee, and a number of others.

What we are going to talk about tonight are a couple of things; and these are the things that really are a great focus to all of us. One is AIG. Another one is, of course, the small business initiatives that I was just discussing a few minutes ago and will discuss them in greater detail. And the third is the budget. The budget, of course, is the framework by which we govern ourselves as a country, the kind of money we put into our government, and the kind of resources and commitments that we take out.

And particularly at this moment in time it is absolutely essential that we are not only thinking about the short term, but we have a unique opportunity to think about the long term, about how we are going to put ourselves in a very, very strong position so that when we recover, we will have the best workforce, the best technologies, the best businesses, the most competitive environment to prosper for generations to come.

I am just going to start, if I can, with the gentlemen that are with us tonight and the gentlewoman from Ohio that is going to join us about AIG.

I have to tell you, it is hard to even imagine the kind of thought process that the people at AIG came up with in allowing these decisions to be made to allow the \$165 million in bonuses to go forward.

Now, we understand that AIG is a large insurance company. They came to this government, under President Bush, and asked for a massive bailout. It was given to them once before, twice, and it is now at about \$180 billion.

One of the frustrations I've had—even before we get to the bonus issue—is the fact that AIG operates in 100 and some countries around the world. It is a very, very large insurance company. By the way, the insurance part of it—which is regulated in the United States by our State insurance commissioners, as I understand there was testimony before a committee today—is doing fine. Those people who have AIG policies, those are policies that will stand, and that's all good.

Unfortunately, some very creative people did a lot of things that they are now telling us they didn't even understand and put at risk a massive—I think it's \$1.3 trillion of resources and investments into what they are calling "exotic" investments. You have already heard the terms "credit defaults," "swaps," and a whole lot of other things. And it is just extraordinary that, when it comes to this—and we recognize this is a worldwide issue—United States taxpayers, they have already put a lot of money into this, but if this is such a calamitous risk—which it obviously is very serious—why is it that the hundred and some other countries that are also under this same calamitous risk if AIG

were to fall apart, why aren't they stepping forward and putting some money on the table? Why aren't they putting billions of dollars into AIG to make sure it survives if that is such a necessary thing?

Obviously, I think all of us—Democrats and Republicans, American taxpayers—feel very strongly that, if we are in it, we understand what the risks are, but at the same time, everyone needs to be in it. And the rest of the countries, Europe and Asia, that have played in this also need to put some money on the table.

But more particularly, what really got under people's skin, rightfully so—it has certainly gotten under my skin—is this idea that bonuses that were committed last year are all of a sudden something that had to be paid in this last number of weeks. I don't get it. And I hear them say the story is, well, they were committed, they're contractual. We're going to get sued. Well, I heard a very interesting story today. One of the members of our committee, when Mr. Liddy was testifying, asked a question, well, it's very interesting, insurance companies, by definition—and I will just stereotype for a minute—their tendency, when a claim is made, is to say no; that is just the sort of business as it is. And they like to fight over it. Obviously many companies pay legitimate claims, but a lot of the strategy is they hire lawyers, and lawyers say no, and you have to sue them before you can get the money. Well, that seems to be the typical way many insurance companies operate. Why is it, in this moment in time, we are told by the executives of AIG that, well, if we don't pay it, we're going to get sued? Since when is that such a defense when that is their strategy normally? I would have said don't pay it, they don't deserve it, the American taxpayers' money needs to be protected. And if somebody is so upset about it and they think they have a contractual right, let them sue.

But the reality is—and I will just make it real simple—the reality is, if this is a performance budget—and presumably it's performance based on a successful company that has profits at the end of the year—and if this company can't even survive on its own without our taxpayer money going into it, that seems to be a pretty strong case to say there is absolutely no basis for a payment of a bonus to a group within an organization that is failing or is really not in a profitable position.

As Americans, we understand success. We reward success, as President Obama says. If a company is successful, the shareholders, I think, are usually very comfortable with rewarding the management for good work—to a point. But when you are failing, I mean, I can't imagine any company in the United States feeling real strongly; and if they are doing it, if I am a shareholder, I am not supporting that kind of deal.

I am a taxpayer like everyone else here. And I am not happy, I am outraged, like everyone else, about the fact that this money was paid. The good news is that this Congress is going to take action, Democrats and Republicans together.

Today, Mr. Liddy said, well, we have now put out officially to the people who received this to give it back, at least give half of it back. Well, I think many of us said half is not enough; we want the money back. If that money is necessary to get AIG back on track, that's what it should be used for. And I can obviously think of a lot of other very good purposes and places for that money to go if it's not AIG—how about the American taxpayers and our needs? But this is something that he proposed today.

Well, I think we are going to take a little stronger action. Members of Congress, tomorrow, are going to have the opportunity to vote on a bill which demands that either almost all the money or all of it be returned to AIG and to the American taxpayers. And if they don't want to do it, then it will be taxed at 100 percent or 90 percent. That way, we make sure that that money comes back. This is not a game, this is the real thing. This is serious business.

We all want to get our economy back on track. Obviously, we don't want any company to fail, but at the same time, we want fairness and justice. That is how we operate in the United States. And businesses, we want them to succeed, but when we are going to put taxpayer money on the table, there is a different set of criteria that have to be applied.

With that, I am going to shift it over to my friend from Kentucky (Mr. YARMUTH), who is the president of our freshman class—and we are now sort of in the second term. But he just has been outstanding, and as a businessman, really understands the principles that I have been referring to. Feel free to add your thoughts to this.

Mr. YARMUTH. Well, I thank my colleague.

It is a very interesting situation to me, not just a question of outrage, but also a question of mystery. Because for many Americans who are viewing this situation basically as a new situation, looking at it just from the last week or so when the news of these bonuses came out—and of course they've known about the huge amounts that the taxpayers have been paying to AIG to keep them from collapsing—now we know that the American taxpayer owns 80 percent of AIG. But this story started a long time ago.

Last Congress, I was a member of the Oversight and Government Reform Committee. And last fall, we had the opportunity to hear from the last two CEOs of AIG before the government takeover. And it was a fascinating and illuminating story because what we learned during those hearings last October was that, early last year, in 2008, the man who ran this exotic invest-

ment faculty operation in London, Mr. Cassano, had told the board of directors of AIG that his division, the Credit Swap Division of AIG, would not cost the company one dollar. Several weeks later, all of a sudden there's \$5 billion in losses in his division. And as we know, subsequent events have shown that there were literally hundreds of billions of dollars of credit default swaps—which are basically bets on whether a certain obligation will be a valid obligation—but it was basically nothing but bets, and that this division had brought down a giant company.

□ 1730

Now, Mr. Cassano, it came out in testimony, was paid for his leadership, if you can call it that, of that division, \$280 million over 8 years, \$280 million over 8 years. And, strangely enough, in light of what we have learned recently, he had a contract which entitled him to bonuses of another \$34 million.

Now, we don't know yet who the recipients of these bonuses that were paid last week are, but it would be fascinating to know if Mr. Cassano was one of those people because he had one of those contracts. One contract with someone who has been paid \$280 million over 8 years was contractually due \$34 million more when he had essentially brought down one of the 10 largest corporations in the United States and in the process cost American taxpayers as much as \$180 billion.

So it's not just a question of outrage now since the American taxpayers are paying attention and the Congress is paying attention to the AIG situation and all of us are rightly outraged, but we have to look back and see the greed, the malfeasance, and the close to criminality that occurred in this corporate operation.

Strangely enough, when we spoke to those CEOs in the Oversight Committee last year, they really didn't understand anything that had been going on. And in their defense, they came on the scene when this operation had already been going, and I assume at some point it had been making AIG a fair amount of money. But they didn't know what credit default swaps were. They didn't know what all these collateralized debt obligations were upon which these bets were made. But they did know that all of a sudden this one operation that was kind of hidden from their view and developed this mystery about it because nobody except Mr. Cassano knew what was going on there, they knew that he had cost them their company and he had cost the American people an awful lot of money.

The great finishing touch on this story is that even after Mr. Cassano had been fired, he was still on AIG's payroll as a consultant for a million dollars a month, a million dollars a month. And the reason was nobody else knew what was going on in that division. They had to have the benefit of his knowledge, even though his knowledge had cost them their company.

So this is a story that didn't happen yesterday. It didn't happen on Friday when those bonus checks were issued. This is a story that is symbolic of what has gone on in this country over the last decade when greed and a lack of supervision and a lack of regulation have resulted in a worldwide financial crisis. So we can rightly be mad and we will take action tomorrow to rectify this situation with bonuses, but this, again, is symptomatic of a much deeper problem that this Congress both in the Financial Services Committee in the House, the Finance Committee in the Senate, and throughout government is going to be dealing with for a long period of time.

So I'm glad that we have the opportunity to talk about this crisis in accountability, this crisis in regulation, this crisis in supervision in our country because the American people deserve not just to have those bonuses returned to the taxpayers' accounts, but they also deserve to have an economy that is free of the insecurity that these types of situations bring.

So with that I look forward to hearing from our other colleagues.

Mr. KLEIN of Florida. I thank the gentleman from Kentucky.

And I certainly agree with you. When we think about investments, we think about the word "transparency." And that is, as a small investor, if you buy a stock on the New York Stock Exchange or NASDAQ or whatever, you want to know as much as you can about that company. You want to make sure the information that's presented to you is real and that, if you're buying a bond, that the ratings services, Standard & Poor's and some of the other ones that have been before us, are giving an objective evaluation.

Something has gone wrong in the system, and it's a mood and sort of an inaction that has been bred into the last 10 years where we have gotten farther and farther away from responsible regulation. I hear people say we don't want more regulation. It's not a question of more or less; it's a question of the right kind of regulation that really focuses on what the investor wants to know. Whether it's an investor like my dad, who is 80 years old and he's depending on his stocks and bonds and smaller portfolio to take care of him plus Social Security, or whether it's a very sophisticated person, it's all the same point. And we have gotten away from that, and, unfortunately, these massive billions of dollars where people are making hundreds of millions of dollars on a transaction, something went wrong here because they were not regulated, and that's where we're really focusing the attention now. It's going to take some smart people collectively, not just Members of Congress but also the public to work together to get this right.

I thank the gentleman for those comments and that introduction.

Now I would like to turn it over to the gentleman from Tennessee, who's

going to share with us some of his thoughts on this.

Mr. COHEN. I appreciate the opportunity to join my colleagues and particularly to follow my colleague from Louisville, which my basketball team, Memphis, also follows as the second team in the ESPN coaches' poll, Louisville being first. That won't last for long for the tournament starts and we're all on an equal footing and Memphis will once again be first, as they have been in many people's minds.

This situation with AIG is just hard to fathom that it could come about. When we had the Six for '06 when we started this Congress, we had six laws that we wanted to pass, and one of them was the minimum wage. And the minimum wage had been impossible to pass through 10 years of a Republican-controlled Congress. We increased that minimum wage for the first time in 10 or 12 years, and I think it was 12 years, where people making just \$5 and \$6 an hour were getting a very small increase, and this was done over the horror of certain people in business. And now we hear of people who are making \$6.5 million bonuses in a year when their company lost money and would have gone bankrupt but for the bailout by Mr. Paulson and President Bush and have basically taken the financial economic situation in the country and put it in great peril. Having gambled and lost and jeopardized the entire world economic structure, they paid themselves bonuses in the area of \$1 million to \$6.5 million. And it's hard to see the contrast in perspectives in this Congress and this country when certain people just want a minimum wage and others get away with millions of dollars in bonuses for doing next to nothing.

I had a man come into my office last week, and I had checked him out on the Internet beforehand, and his salary the previous year was about \$2 million. He had a company where the stock had gone from \$45 to \$1.50, and he told me that he was working for nothing. I thought, well, that was noble. I said, "Are you really working for nothing?"

He said, "Virtually nothing. Look at what happened to my net worth."

I said, "How about your salary?"

He said, "No, I'm taking my salary, but I'm taking less of a bonus this year."

Well, I thought that was unbelievable. His salary is in the millions. He's taking less of a bonus because of the stock's going from \$45 to \$1.50. And he said it with a straight face. I'm sure he wasn't in favor of the minimum wage. And there's something wrong with this country where people who work 40-hour weeks can't get a basic minimum wage and other people who think they're the masters of the universe and who have almost destroyed this universe want to get millions and millions of dollars and particularly now from government-handed-out moneys to save businesses from going under.

Well, I'm on the Judiciary Committee, and in the Judiciary Com-

mittee, we had a bill today which we voted out which would give the Attorney General the power, in consultation with the Secretary of the Treasury, to recoup those moneys paid in the past and to stop those types of expenditures in the future on compensation to people who are part of businesses that have gotten extraordinary government relief, \$10 billion or more in government support, and but for the government moneys they would be in bankruptcy and taking the theory of bankruptcy and the theory of the laws against fraudulent conveyances that all States have and limiting the amount of moneys that they can give out to their management employees to a very decent amount. And that law would allow that money to be recaptured and prohibited in the future from those types of individuals.

When you have a fraudulent conveyance, it's assumed that you're paying money to preferred creditors at the expense of others. In this situation when AIG went ahead and said they were bound by contract to pay their gamblers, that they did it because they were bound to, the fact is these were fraudulent conveyances and but for the government they'd have had no money to pay them and they didn't earn any bonuses. Now, they were retention bonuses. Some of the people have already left. I don't know why they'd give retention bonuses to people who lost, but that's what happened. And I am pleased that the Judiciary Committee voted the bill out. It will probably come to the floor next week. It's a new way to approach this and an opportunity for constitutional experts to come together and fashion this unique approach for an unusual circumstance.

We see the taxpayer and the American Treasury being raped, and in such a situation if it's criminal law, you allow for police to take extraordinary actions with either the use of deadly force or the opportunities to apprehend somebody about to commit a crime in hot pursuit. And I think what the Judiciary Committee is proposing and what the Congress is doing, in essence, is hot pursuit to stop a violent felony from occurring to our Treasury by people who are morally reprehensible in taking this money at this time.

I don't know if my colleagues have thought too much about it, but I suspect there are other companies who have been paid billions of dollars by AIG, as they revealed this week under pressure, that are paying bonuses to their executives as well. The old Merrill Lynch and whatever their successor name is now; Goldman Sachs, I believe they might have been paid. Other companies, the banks have been paid moneys, and they're probably paying out bonuses as well with taxpayer money that's gone through AIG, and we need to look at that as well. These companies also are getting government support, and I'm sure they're paying out bonuses. And the names of every single one of those individuals who've

receive bonuses from any of these companies should be published. The head of AIG said they're not putting the names out because they're concerned about the safety of the individuals, but that ought tell you that what they did was wrong. Criminals don't want to be exposed to the public because the public would come get them in some type of personal posse. They would form their own groups, a posse comitatus, and come get them. And if they don't want to be revealed, obviously they did something wrong. If they did something good, they'd want to have their posters up and not in the post office.

So I'm proud the Judiciary Committee acted today, and I'm proud this House is going to act tomorrow. What's happened has made me, as one congressman, a representative of the people, extremely upset, and I had several thoughts about the French Revolution and what drove people to that. And if we were looking at this 200 and some odd years ago, we would have seen the guillotine being brought out because this is the type of thing that is absolutely revolting and it needs to stop. And I think there has been too much of this in our society where people just think that they are the masters of the universe on Wall Street. They've caused a cataclysmic condition. They've been rewarded for too long. And they have what is known in the Yiddish language as chutzpah, and we ought to call this the "chutzpah act of the 21st century."

I thank Mr. KLEIN for the opportunity to speak here on this floor.

Mr. KLEIN of Florida. I thank the gentleman from Tennessee. There are obviously some strong feelings on all of our parts here.

As we move forward, Mr. Speaker, if you would consider yielding the balance of my time to Mr. YARMUTH, I would appreciate that.

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 2009, the gentleman from Kentucky (Mr. YARMUTH) is recognized for the balance of the time as the designee of the majority leader.

Mr. YARMUTH. Mr. Speaker, it now gives me great pleasure to yield to my good friend from Iowa who served with me on the Oversight Committee last year and sat through many of those hearings and now serves us well on the Energy and Commerce Committee, Mr. BRALEY of Iowa.

Mr. BRALEY of Iowa. I thank my friend for yielding. And I want to remind my friend from Kentucky that I actually had the privilege of following him immediately during that hearing and questioning the CEOs of AIG. And I have to tell you it was one of the more shocking examples of corporate greed that I've ever heard in my lifetime, and I have lived 51 years in this country.

But I think one of the things that we've talked about is the reality that we as taxpayers now own approximately 80 percent of this company because of the investment that we have

made. So my recommendation to Treasury Secretary Geithner and President Obama is that we rename AIG to properly reflect and offer a lasting lesson to the American people of what happened here. I am going to recommend we rename this company "Arrogance Inspires Greed" because that is exactly what we learned on October 7, 2008, when we had a hearing in the Oversight Committee and got to the bottom of this problem.

So let's have a short history lesson of exactly what led this company into the crisis that brought it to the American Government for help.

□ 1745

We learned that the principal actor responsible for the demise of AIG was an employee named Joseph Cassano, and Mr. Cassano operated the London office of AIG, its Financial Products division, which was primarily the unit that sold credit default swaps that helped bring down AIG.

If you go back to the Presidential election, you may recall that CNN was running a feature during this time that had the 10 top villains responsible for the collapse of our financial system. The number one culprit that they identified was Joseph Cassano. Here's why.

Mr. Cassano, who was president of this division, was paid \$280 million in cash during the last 8 years of his employment, far more than the CEOs of AIG made. The bulk of his money came from, guess what, a bonus program.

In fact, for every dollar that his unit made, Mr. Cassano and the executives who worked with him got 30 cents on the dollar, and this was a unit that was trading in trillions of dollars of credit default swaps.

To make matters worse, on February 28, 2008, AIG posted record losses of \$5.3 billion. And the main reason for those losses was that Mr. Cassano's division had lost \$11 billion.

So what did AIG do? Well, as a responsible corporate citizen, it fired Mr. Cassano. And the very next day it gave him a severance agreement that Mr. YARMUTH talked about, paying him \$1 million a month and allowing him to keep that \$34 million in uninvested bonuses.

So he was paid essentially, to do nothing, \$1 million a month. So when we had this hearing in October of 2008, 6 months later, and these corporate CEOs who were in charge of the company during the period of time when he was receiving those payments were called to account for the conduct of this company, these are the questions and answers that I got.

The first CEO was Mr. Willumstad.

"Mr. Willumstad, let me start with you. As CEO of AIG, you had authority, until September 17, 2008, to cancel Mr. Cassano's consulting agreement for cause, but you never did that, did you?"

And his answer, "No."

Second CEO, Mr. Sullivan. "As CEO for AIG during the period from March

11, 2008, when this severance agreement was signed between AIG and Mr. Cassano, through June 15, 2008, you had authority to cancel Mr. Cassano's consulting agreement for cause, but you never took that action, did you?"

His answer, "That is correct."

Think about that. The one person identified as the principal culprit for the financial collapse of this country and the global economy continued to receive \$1 million a month after driving this truck off the cliff. It was shocking then, it's more shocking now, because the losses continued to mount.

And what the American people are demanding right now is justice by superior firepower, and we in the House and our colleagues in the Senate and the White House and the Treasury Department have to provide that firepower because the American people are demanding it, and they deserve nothing less. But there were a lot of things that came up during that hearing, and one of them we talked about was this philosophy that less regulation is always better.

Well, one of the things that came out during this hearing, and which 60 Minutes covered in two excellent stories, was that this giant credit default swap market, which at the time was estimated to be between 63 and \$75 trillion, 90 percent of it was the same thing as what you and I would consider gambling.

So back in 2000, when they had a chance to get a handle on this and provide some type of governmental oversight, what happened? Well, they could have classified it as insurance and made it subject to insurance regulation in all 50 States, but they decided not to.

Then they could have decided, well, this is gambling. Let's make it subject to gaming regulations in all 50 States. They decided not to.

Well, it's kind of like a security. Maybe we should make this part of the Securities and Exchange Commission. They didn't because of this push against any form of regulation. So now, in 2009, we are sitting here with no effective oversight at the State or Federal level of this enormous credit default swap market.

That has to change, and it's part of the ongoing regulatory reform we are pushing in the 111th Congress. We have to do it, and we have to be smart about how we do it so we don't find ourselves in this position again.

I just want to emphasize justice by superior firepower. Congress has the responsibility to act.

Mr. YARMUTH. It was a fascinating hearing, and something that came up in that hearing was intriguing to me as well. One of our members early in the questioning period asked the two CEOs why the Treasury Department, under Secretary Paulson, had bailed out AIG and not Lehman Brothers, and they both said, well, we don't know, you will have to ask the Treasury Department.

And when it got to my turn to question, I asked them, I said, you know, I

would like to ask you a similar question or related question, but maybe in a different fashion, what was the relationship between AIG and Goldman Sachs? And the reason I asked the question was because Secretary Paulson and many of the officials at Treasury had come out of the Goldman Sachs operation.

And they responded, as you will recall, Goldman Sachs was the counterparty with AIG on \$20 billion worth of credit default swaps.

And until the last few days, AIG had been unwilling to tell anyone who their counterparties had been, and they did reveal last week, a list of many of them, and how much money they had been paid and Goldman Sachs had been paid 11 or \$12 billion of this amount.

So what we saw was an incredible amount of incestuous dealings among these giant corporations who were out to, essentially, create wealth without creating value. And creating wealth, not for the American people, but creating wealth for these few people, these giants of Wall Street, these masters of the universe, who got into an operation that they really didn't understand. And now we are all paying the price for that.

There is a fascinating article that's in the current issue of Harper's Magazine by a lawyer out of Chicago. It talks about what he perceives to be one of the problems in our current economic situation, and that it was that over the last 20, 30 years, we have put more and more emphasis on the financial services aspect of our country as opposed to the manufacturing facilities.

And it all happened because we stopped paying attention to how much money you could make in the banking business, and we essentially did away with usury laws so that banks could earn 25, 30, 35 percent on their money on credit cards, and these exotic instruments where they could leverage their assets 30 and 40 times.

And because they were making these huge profit margins, they drew capital away from manufacturing to the financial sector, because there was no longer nearly the return available to capital in the manufacturing sector, and it was all in the financial services sector.

What we have seen as a result of that is, as has been mentioned already today, the greatest disparity in wealth between the rich and everyone else in this country in its history, and also, basically, an unsustainable and dangerous financial services sector, one that had gotten so big and created so little value that it jeopardized all of our society and our economy.

With that, I would like to yield again to my friend from Memphis, the runner-up in the last poll to my beloved Louisville Cardinals, Mr. COHEN.

Mr. COHEN. Thank you. I would like to ask a question of one of my colleagues. Either of you can answer it.

I know the hedge funds, and they are involved in all of this as well, and the

hedge funds folks were making enormous amounts of money, unfathomable amounts of money. They are taxed at capital gains rates, which is like, what, 15 percent instead of ordinary income, which a person on minimum wage is paying ordinary income. Of course, they are a lower rate, but still ordinary income.

Didn't we try to do something in the last Congress to try to change that taxing scheme of the hedge funds and find some problem and some pushback maybe from the administration? Do you recall that?

Mr. BRALEY of Iowa. I recall we had a lot of discussions about that as part of the ongoing debate about how to provide effective regulation to the broad scope of financial services, but I am fairly confident that no action was taken because of a lot of different reasons. But I think you have brought up a great point, one that came up at this hearing we had back on October 7. When I was in law school from 1980 to 1983, the insurance industry and the financial services sector was completely different than it is today.

One of the things that came out of the hearing was AIG's insurance business was very successful, which is why, even though they lost \$11 billion in their London office, they only had a loss of \$5.3 billion, because of the off-sets from their insurance business.

But back in those days, most insurance companies were mutual companies. Their sole responsibility was to their policyholders.

And then we saw a lot of blurring of lines between various types of financial services providers. Why is that important? Well, in this case it's important because insurance companies, going way back to the McCarran-Ferguson Act, have had an exemption from antitrust oversight by the Federal Government.

And yet when you see companies that formerly limited their involvement to providing insurance products branching out into other types of financial services and vice versa, you get a lot of confusion. And then the big push, as my friend from Louisville mentioned, is returning profits to shareholders, not providing a conservative return on investments to protect policyholders.

So what happened is as continued de-emphasis on regulation was part of the Federal approach to all of these products, we had things going on that were completely beyond the control of the average investor.

In fact, these CEOs testified during the hearing that their understanding of credit default swaps was, in fact, quite limited, which is a shocking thing when you think of how deeply this company that they were shepherding was involved in this one high-risk financial investment tool.

Mr. COHEN. Let me ask a question, too, of my colleagues. The hedge funds monies, I think that's something, I thought we had a proposal on it, and I thought it got passed through the

House, I'm not sure, to raise that, but that was an issue that came up and maybe there was a problem in the Caucus as well on taxing the hedge fund folks at regular income.

That's something that needs to happen, because it's outrageous. The money that they make and then the monies that they are taxed on is such a low percentage.

There was a lot of deregulation. The banks were deregulated, the financial services, and banks got into doing different things than they used to be able to do in savings and loans. Do you believe that we need to go back to some of these types of regulations to get into a more conservative type of financial structure?

Mr. YARMUTH. I can tell my friend that one of the reasons no action was taken last year was the carried-interest provision, which is to what you refer. Also, it affects a lot of people who are developing apartment complexes and other things, so they are essentially individual businessmen investors who had formed partnerships, and they would have been affected by the same change.

And there was a considerable amount of question as to whether that was advisable, because we want to promote people to do apartment complexes and shopping centers and so forth. We couldn't quite figure out a way to make the distinction. But that was, I think, one of the main reasons we didn't take action.

But in reference to your question, and I think our colleague from Florida discussed this perfectly in his opening remarks, and that is it's not a question of whether we need massive regulation, or little regulation, we need the right regulation.

□ 1800

What we have failed to do over the last 20 years is to modernize our regulatory system in such a way that it took recognition of the very changing picture of business, particularly in the financial sector.

I think this Congress, and I know Chairman FRANK of Financial Services, I know the administration is very much concerned with reshaping our regulatory system. Again, not to over-regulate the economy, but to make sure we have the right type of regulation in place, adapted to the current financial structure of the world, so that these types of situations don't reoccur.

I think that my colleague from Iowa also mentioned something that we really need to look into as a Congress and that is the whole question of our antitrust laws, and not just which industries are covered or not covered, but also what we can do and whether we should do something to in some way control the size of businesses because what we have seen in many of these cases recently is we have gotten businesses that are "too big to fail."

I understand that there is a worldwide economy and these companies

have worldwide operations and there is somewhat of a limit as to what we can do, but we have not revisited the question of our antitrust laws and the size of corporations for some time in this country.

I think the American people would appreciate that conversation because they don't like being in a position in which they are virtually helpless when a giant corporation which yields no benefit to them—that they perceive, anyway—is able to affect their lives so dramatically.

Mr. BRALEY of Iowa. Would my friend yield for a followup?

Mr. YARMUTH. I would yield to the gentleman from Iowa.

Mr. BRALEY of Iowa. We have all sat here during this financial crisis and have heard over and over again from Treasury "this company is too big to fail." And I'd like to propose right now on the floor of the House of Representatives, the people's House, an exception to that rule, which is there are some companies that are too arrogant to save.

Here's an example of what I'm talking about. I'm going to quote to you—and I quoted this during the hearing on October 7. This is from a September 28, 2008, article of the New York Times. This was a comment made by the same Joseph Cassano who headed AIG's London office and who brought about this \$11 billion first quarter loss that took them over the cliff.

Here's what he said when asked to respond to this financial crisis. He said, "It is hard for us," AIG, "without being flippant, to even see a scenario within any kind of realm of reason that would see us losing \$1 in these circumstances." One dollar.

Then, apparently his math skills are somewhat lacking because he obviously earned a heck of a lot more than \$1—\$280 million over an 8-year period. That just shows the level of arrogance that these financial prognosticators have.

I'd like to throw this question over to my friend from Memphis. I remember when the Fed was trying to have discussions about what type of financial oversight was appropriate for these new financial devices called mortgage-backed securities and credit-default swaps.

Then-Fed Chairman Alan Greenspan was a firm believer in "just let the market regulate itself." In fact, that is what his recommendation was on credit-default swaps.

So then we saw this market grow to a \$100 trillion-plus market with no Federal or State oversight. I guess we should be shocked that anyone would be surprised that we would find ourselves in this predicament.

Mr. COHEN. Well, thank you, sir. The SEC has a new leader—Ms. Mary Schapiro is her name—and I have confidence she's going to provide the regulation we need. In the past administration, the SEC was woefully understaffed, and I think when there were

whistleblowers, they weren't listened to. I believe, if I'm correct, there was a whistleblower on the Madoff Ponzi scheme, and there was a Ponzi scheme that was through Dallas, Texas, and in my city of Memphis with a company called Stanford Financial that has taken a lot of people's investments, claimed they were buying CDs in an island in the Caribbean—I think Antigua—and in fact they weren't doing it. A lot of people have lost all of their investments. A lot of people lost all of their investments with Madoff.

They were not regulated. And that is what the SEC needs to do, is have regulations on all these companies to make sure they're really doing what they say they're doing and to listen to whistleblowers and to have investigative staffs. Money invested in government in these areas can save people in the long run. There are people who wished we had spent that money because they're not going to have their monies, and if they don't have their monies, it's going to hurt the Treasury as well because they are not having to have money for spending.

I believe you're on Financial Services, are you not, Mr. BRALEY.

Mr. BRALEY of Iowa. That would be my friend Mr. KLEIN.

Mr. COHEN. A lot of people have talked about mark-to-market changes, and I think Mr. KANJORSKI talked about that today, and also on the uptick rule. Are these two changes that you think might come about soon? And, if they do, do you think they will be helpful in having a more fair and just and realistic perspective on the valuations and on trading in the stock market?

Mr. KLEIN of Florida. Would the gentleman yield?

Mr. COHEN. I yield.

Mr. KLEIN of Florida. Mr. COHEN, a couple of the issues are out there, and some of these are fairly technical but they are very important, actually, and for those people in banks, those people in real estate, financial service issues, one of the things that all of our small businesses know right now, and the people that own homes, the people that own real estate properties, commercial properties, is the banks are not lending enough.

There's some exceptions in there. But all I can tell you is when we had the eight large banks in front of our committee 2 weeks ago, we heard, Oh, we are lending here and billions of dollars here. That may have been to Fortune 100 companies. I understand that, and that's fine. But it was not translating down to our local communities.

I know in West Palm Beach, in Delray Beach, where we do business and things like that at home, it's not happening. And the short answer is: What can we and should we be doing.

The mark-to-marketing rule basically is a way that the regulators look at the bank's balance sheet and say that a certain asset is a certain value. And that works just fine when prop-

erties are going up in value. The problem is when there's really no market, when you can't sell a piece of property because nobody wants to buy it or finance it, they get written down to not necessarily zero, but something very insignificant.

And what that does is puts lots of pressure on the banks and their balance sheet and then they say, Well, we can't lend because our balance sheet looks so small. It's a chicken-egg thing between the regulators and the bank.

To make a long story short, there's common ground that needs to be found. It's not a question the banks shouldn't be lending. They should. And the regulators may be being a little cautious right now under the circumstances.

But there is a middle ground. I think we have to find it and crank it up quickly because whether it's mark-to-market or a few other regulatory issues, we want to make sure the regulators are doing their job. It doesn't mean stopping lending. But there are a whole lot of creditworthy borrowers out there that could borrow.

Many of you have small businesses. They're making their payments; real estate owners that are making their payment. They are current but they're saying: I can't get a term loan even though I am current because they are saying the asset value is so low.

So on a simple basis we need to find that middle ground. We are pushing hard to let them put this through carefully. Lend to the appropriate people. Don't lend to people that shouldn't be borrowing for homes or anything else. But do it the right way.

So we are working on that right now, Mr. COHEN, and hopefully in the next couple of weeks they will have some answers and get the banks moving along again.

Mr. COHEN. Thank you, Mr. KLEIN. It's an issue I've heard from a lot of brokers about what they think would help the stock market, but they also think that the uptick rule would require people that at least own some stock and to have a trade take place before they shorted it, and basically win by the economy losing.

That's not the American way. And it's what has happened in the stock market so much, and in other ways in the stock market. People have manipulated the market. Hedge funds have manipulated the market to destroy companies and to make money while they did it, and to become fabulously wealthy.

This is where regulation is so important. We haven't had regulation in this previous administration. The market didn't work. The market needs regulating because if you let people go unchecked, greed comes into play. We've seen the utmost of greed.

I think Mr. BRALEY's wonderful new AIG is something that will take fire.

Mr. BRALEY of Iowa. Will my friend yield for a followup comment, and then I want to yield back to Mr. YARMUTH on this point that I think is an impor-

tant complement, with an e, to the regulation piece, and that is the whistleblower protection. Because one of the things that Mr. YARMUTH and I had a key role in was passing out of our Oversight Committee the Whistleblower Enhancement Bill of 2007. It was an enormously overwhelmingly bipartisan bill. It passed on the floor of this House with over 330 votes which, as all of us can tell, if you're not naming a post office, that is doing pretty good down here.

Unfortunately, it ran into obstacles in the Senate and did not get to the President's desk in the 110th Congress. And then Congressman CHRIS VAN HOLLEN, who's a Democrat, and Congressman TODD PLATTS from Pennsylvania, who's a Republican, had the brilliant idea when we were putting together some of this financial recovery legislation in the stimulus bill, let's put the whistleblower bill back in. We're putting a lot of money into the economy. We want to provide protection to Federal employees to report instances of waste, fraud, and abuse.

And it passed overwhelmingly here and it went to the Senate. One Senator decided that that was not appropriate, and it came out of the bill. I think the American taxpayers are fed up with the lack of accountability. They want people to be protected when they have the courage to put their lives and their careers on the line and stand up for American taxpayers.

That is why we had a press conference last week to reintroduce the bill as a standalone bill. I hope we quickly get it over to the Senate and I hope this time the Senate understands that the American people are outraged. They want us to be on their side to protect their hard-earned dollars. I think this is a critical component we need to push.

With that, I will yield to Mr. YARMUTH.

Mr. YARMUTH. I thank my colleague. One of the things that we have to continue to do is to remind the American taxpayer of what has happened, what brought us to this point. I know that right now our colleagues on the other side are trying to play political games and, all of a sudden, because of this new revelation about bonuses, they want to make this all a Democratic problem.

But, as all of us will recall, and I think the American citizens will recall, we were cruising along last year, knowing that we were in a little bit of financial difficulty. We knew that the foreclosures were up, we knew that the signs of the economy were not where we would like them to be, and that, for many Americans, those of us that had been in the trenches politically since 2006, knew a lot of Americans have been hurting for a long time, particularly middle-class Americans and hard-working families out there.

But all of a sudden, last September, out of the blue, seemingly, Secretary Paulson and Chairman Bernanke call



us all in and say, The sky is falling, and we are about to go over the cliff, and we need \$700 billion to bail out these companies that are in severe difficulty.

I think the American people rightly were stunned, saying, Where did this come from? I think all of us were stunned because we didn't know where it came from.

And what we have found out subsequently is that in many of these operations like AIG, sometimes the CEOs didn't really know the depths of their problems.

I know we had hearings again in the Oversight Committee last Congress where we talked to, for instance, the rating agencies and some of the people who were involved in the measurement of risk and the analysis of risk, and even Chairman Greenspan, who said we had no way of assessing risk that involved declining real estate values.

All of the models they had built to assess the risk, whether it was Moody's or any of the rating agencies or, in this case, the Fed, said our computer models wouldn't accept negative growth in real estate. So all of a sudden the American people say, Whoa. Where did this all come from?

I think none of us really knew where it came from. And the reason we didn't know is because we had trusted the marketplace to be the salvation of our financial system. And, as we have seen, the marketplace that Chairman Greenspan worshipped, and others, was not capable of accounting for what happened in the real world.

So now we are cleaning up. We are trying to pick up the pieces. The American people are rightly dismayed that their government was not on the job. We have an opportunity now to show the American people that they can have confidence, not just in the economy, but also in their government. And that is the charge that I think all of us willingly accept.

I am very happy to be here tonight to talk about that and to be part of a Congress that is responding to a crisis that, basically, we didn't build, we didn't create, but we are more than willing to try to fix, because we owe that to the American taxpayer.

With that, I'd yield back to my colleague from Florida.

Mr. KLEIN of Florida. I thank the gentleman. I think you have summed it up exactly right, and that is the American people want answers. They want to make sure this doesn't happen again. It's unacceptable for there to be cycles where this happens; you clean up and it happens again. This is a very significant time for everyone, and the challenge is great.

□ 1815

So we are going to have to focus on them. And if I can, I will spend a last minute referencing the fact that we are now moving into the conversation about our budget for next year. But talking about the kinds of things that

the American people are looking for, it is transparency and openness when we have a budget.

The last number of years, of which this group here has only been here 2 years, but the wars, which obviously we appreciate the work that our military did and all the rest of that, but 100-some billion dollars every year for the last number of years, not even on the books of the balance sheet of the Federal Government. Every year it is a supplemental budget. A supplemental budget is supposed to be when you have an emergency. God forbid you have a Katrina or something like that they didn't plan for. The war was there. It should have been planned for. It should have been accounted for.

And when you talk about a balanced budget, and all of us standing here today, we are fiscal deficit people. We are deficit hawks. We believe in it. I think every American does. It is common sense: You can only live within your means. And the Republicans didn't do it. The Democrats didn't do it in the past. But I think all of us together have got to get it right now. And it is going to take time. We inherited, unfortunately, a very difficult budget, and it is going to take some time to get through this. I think Mr. SPRATT who works with us, as well as President Obama, has got a lot of ideas. We are going to put them through the mix here, and I think we will come out with something. But, most importantly, it is an honest, open conversation.

The American people are smart people. They understand the process of building a budget. They do it for themselves every day around the kitchen table or in their businesses. And I look forward to the opportunity of working with everyone, Democrats and Republicans. There may be differences of opinion and priorities. I happen to personally believe that education and health care and energy, and making this country energy independent, is a very forward-thinking way of addressing the next generation of where we need to be. But we will get through that process. But the point of it is an honest, open process where the American people can understand all the debts, all the possibilities, all the opportunities to build a stronger country.

I will turn it back over to the gentleman from Kentucky.

Mr. YARMUTH. I thank the gentleman from Florida. We just have a couple of minutes left, so we will just have some concluding remarks from the gentleman from Tennessee and the gentleman from Iowa. I think this conversation has been a good one, and I am glad that they joined us for it.

I yield briefly to my colleague from Memphis.

Mr. COHEN. I thank the gentleman.

I just join with my colleagues in saying how much of an honor it is to have the opportunity to try to clean up this mess. And as I started earlier, President Bush is to be commended for say-

ing he hopes this President succeeds. He puts his country before his party. And I hope that his colleagues and the members of his party will listen to him and not to his Vice President, who broke the code of silence before it should have been broken.

With that, I yield to the gentleman from Iowa.

Mr. BRALEY of Iowa. Well, the concluding remarks I just want to offer to the American people are, AIG is now a symbol of Arrogance Inspires Greed. That should be the lasting hallmark of this sad chapter in our Nation's history.

The other thing is, the American people expect us in Congress to provide justice with superior firepower. We have got a lot of intellectual firepower on both sides of the aisle, a lot of bright, creative people who have had diverse world experiences.

And to my colleague's reference about cleaning up, I spent a lot of time doing janitorial work putting my way through college and law school. I have got to tell you, I am excited to be here at this important moment in our Nation's history. We need bright, creative people with critical thinking skills, and together we will solve this problem.

Mr. YARMUTH. I thank my colleagues for their participation today. I look forward to our conversations next week, next Wednesday, and as we go through the year. It is a great honor for me to serve with so many thoughtful, dedicated Representatives.

Mr. Speaker, I yield back the balance of my time.

#### THE ECONOMY AND GOVERNMENT SPENDING

The SPEAKER pro tempore (Mr. GRIFFITH). Under the Speaker's announced policy of January 6, 2009, the gentleman from Missouri (Mr. AKIN) is recognized for 60 minutes as the designee of the minority leader.

Mr. AKIN. Mr. Speaker, we have a number of interesting topics that we are going to be talking about tonight, and even a little bit of a challenge question for people who are feeling imaginative and innovative, and it is a strategic question about some votes that are coming up tomorrow on the floor. It should be very interesting.

Joining us first off this evening is my good friend, Congressman PITTS, who hails from Pennsylvania and has come up with quite a barrage of different colorful charts here. I don't know, it looks like some part of a critical measurement of somebody's life expectancy or what it is, so I am going to yield time to Congressman PITTS, who has been a Congressman for a long time, highly respected, from Pennsylvania. I yield the gentleman time, and I would like you to tell us a little bit about what you graphed here, because they are quite interesting.

Mr. PITTS. Mr. Speaker, I thank the gentleman for yielding. There is an old